

CHAPTER 91
CRITERIA FOR AWARD OF GRANTS

[Prior to 7/1/83, DEQ 19.2(12)]

[Prior to 12/3/86, Water, Air and Waste Management[900]]

567—91.1(455B) Financial assistance. Federal and state financial assistance for construction of municipal sewage works may be available pursuant to the Clean Water Act of 1977, Title II (as amended, 33 U.S.C. 1251 et seq.) and Iowa Code chapter 455B, division III, part 3, subject to the following:

91.1(1) Federal grants. Application procedures and award of federal grants are governed by federal regulations, 40 CFR, Parts 30, 33 and 35, subparts C, E, and I, as amended through March 1, 1986. Projects complying with the state rules of this Title VII and federal requirements, including the federal regulations cited above, may be awarded federal grants subject to the availability of federal grant allotments to the state.

91.1(2) State grants.

a. State grants shall be awarded to projects subsequent to federal grant awards and in the order of federal grant actions. The state grant will be based upon the same eligible costs as the federal grant including Step 1 and Step 2 work directly related to the facility and which have not previously been awarded state grant assistance. The state grant shall be at the participation level designated in the state appropriation, subject to available appropriated funds in the sewage works construction fund established under Iowa Code section 455B.241. Should there be insufficient funds to provide a full state grant for a project at the designated participation level, available funds can be granted. The project remains eligible for additional state funds without regard to the year of the original federal or state grant action, and the state grant can be funded up to the authorized participation level when sufficient funds are available.

b. Only state grant awards and adjustments amounting to sums of \$500 or more will be processed unless an eligible applicant provides a request including a reasonable statement of financial need, or until the final grant or adjustment for a project step. State grant progress payments only in the amounts of \$100 or more will be processed upon evidence of federal grant progress payments unless a similar request is provided. Documentation of incurred costs is required for all state grant payments.

This rule is intended to implement Iowa Code sections 455B.105 and 455B.241 to 455B.246.

567—91.2(455B) Priority system general information.

91.2(1) Program description. The federal Water Pollution Control Act is directed toward improvement of the quality of surface waters. This Act establishes financial assistance programs to provide assistance to municipalities for fulfilling their obligations to meet minimum federal treatment requirements and state water quality standards. The federal grant program is administered by the Iowa department of natural resources, under authority delegated by the Environmental Protection Agency (EPA). The department of natural resources is the designated regulatory agency for water quality control in Iowa. In coordination with other state agencies and interests, the department of natural resources establishes water quality standards for Iowa waters. The department of natural resources is responsible for the establishment of the Priority System and the State Project Priority List according to federal regulations. The department of natural resources is the primary contact for financial assistance applicants and recipients regarding all matters in the wastewater treatment works assistance programs. The environmental protection commission establishes state policy for administration of the programs.

91.2(2) State Priority System. The Priority System establishes a method for ranking projects considered eligible for financial assistance and sets forth the procedures used to develop and revise the State Project Priority List. It also describes administration and management of state responsibilities in the Construction Grant program. The Priority System has been developed in an effort to achieve optimum water quality improvement consistent with the goals and requirements of the federal Water Pollution Control Act. The development of a new or revised Priority System is made according to the state

rule-making process and will be subject to the public participation procedures described in 91.3(455B). The Priority System is comprised of the rules in this chapter.

91.2(3) *State Project Priority List.* The grant allotments available to Iowa each year for constructing publicly owned facilities are limited and all projects may not be funded. The state, therefore, establishes a fundable list for the distribution of grant funds allotted to Iowa. The State Project Priority List also includes a planning list which consists of projects which may utilize future financial assistance funds. The annual State Project Priority List, upon EPA approval, replaces previously approved project priority lists.

91.2(4) *Decisions.*

a. Departmental staff decisions in executing responsibilities under the Act shall conform to generally accepted principles and standards of good practice. Guidance shall include but not be limited to:

- (1) 40 CFR Parts 30, 33 and 35.
- (2) Applicable state laws, regulations and court decisions.
- (3) Guidance and policies issued by EPA. For example, Construction Grants 1982 (CG82), OMB Circular A-102 and EPA Program Requirements Memorandum are used.
- (4) The agreement and supplements which delineate the delegation of the construction grants program from EPA to the department (“Delegation Agreement between the United States Environmental Protection Agency, Region VII and the Iowa Department of Natural Resources”).

b. Decisions of the director or the director’s agents in the construction grants program are final agency action. The method of review of the director’s decisions is at the appellant’s option, generally in state court or by EPA under the provisions of the Act.

(1) Departmental staff decisions are final unless a petition for review of a decision is filed with the director. A petition for review by the director may be filed by a grant applicant or grantee and shall comply with the following:

1. The petition must be filed with the director within 30 days after the decision sought to be reviewed is received by the applicant or grantee;
2. The petition must be in writing and addressed to the director;
3. The petition must include a copy or statement of the decision sought to be reviewed;
4. The petition must adequately state the basis for the requested review.

(2) Notice of the department’s final determination after review shall be provided to the applicant or grantee within 45 days of the director’s receipt of the petition unless for good cause a longer period of review is required. The notice will state: (1) The basis for the department’s decision, (2) that it is the final department determination, and (3) that the grantee or applicant has the right to request the EPA Regional Administrator in Region VII to review the department’s decision.

567—91.3(455B) Public participation procedures.

91.3(1) *Notification.* A public hearing process is part of the Priority System to provide adequate opportunity for public participation. Notice is published in a newspaper of general circulation prior to the public hearing and an announcement is released to television and radio stations. A general notice also is made to all communities and interested agencies and organizations. The notice explains the purpose of the Priority System and State Project Priority List and how additional information may be obtained.

91.3(2) *Comments.* Comments regarding the proposed Priority System and State Project Priority List will be accepted during the notice period, at the public hearing and in writing for ten days following the public hearing. After evaluation of all pertinent comments, the Priority System and State Project Priority List will be revised, if necessary, and recommended for approval by the environmental protection commission. Subsequent approval by the EPA will establish the Priority System and State Project Priority List to be used for grant obligations.

567—91.4(455B) Definition of terms.

91.4(1) Needs categories. Water pollution control needs are identified by categories which comprise mutually exclusive classes of facilities.

a. Category I - Secondary treatment: This category includes treatment needs necessary to meet the minimum level of treatment required by the federal Water Pollution Control Act.

b. Category II - More stringent treatment: required when more stringent treatment than secondary (Category I) is required to protect the receiving waters.

c. Category IIIA - Infiltration/inflow correction: rehabilitation of existing sanitary sewers to preclude the entrance of storm water inflow or groundwater infiltration into the sewer. Rehabilitation can include sewer or manhole repairs by sealing, lining or replacement and physical removal of inflow sources. Infiltration/inflow correction removes flow from the sewer system by elimination and thereby reduces volumes of wastewater to be treated.

d. Category IIIB - Major sewer system rehabilitation: This category includes sewer replacement and major rehabilitation of collection or transmission sewers where necessary to the total integrity and performance of the waste conveyance and treatment facilities. Category IIIB does not have infiltration and inflow removal as its basic justification. Replacement is defined as the construction of parallel sewer or sewers which perform the function of existing sewers where existing sewers are to be abandoned. Major rehabilitation is defined as extensive repair of existing sewers beyond the scope of normal maintenance programs and necessary to maintain structural integrity. Sewer work associated with infiltration/inflow elimination is considered a Category IIIA need. Relief sewers do not fall within this category since they are newly constructed sewers with a function beyond that of existing sewers.

e. Category IVA - New collectors and appurtenances: sewers which will serve to collect wastewater in existing communities. The collection system is considered as those public sewers which have a principal purpose of providing service for individual users in existing residential and commercially developed areas to enable collection of wastewater in a centralized system. Pumping stations and force mains and other related appurtenant structures are considered a part of the collection system if their primary mechanical function relates to the collection system.

f. Category IVB - New interceptors and appurtenances: sewers which have a principal purpose of transporting wastewater from a collection system to a treatment site. Relief sewers are included in this category where additional sewer capacity is required to accommodate all wastewater in a separate sewer system to ensure that it is transported to a treatment facility for adequate treatment and prevent public health hazards within the service area. Relief sewers may include parallel sewers. Pumping stations and force mains and other related appurtenant structures are considered in this category if their primary mechanical function relates to the interceptor's principal purpose. Equalization basins are included in this category.

g. Category V - Correction of combined sewer overflows: This category includes any construction to control the discharge of pollutants from combined storm and sanitary overflows and bypasses; including sewer separation or rehabilitation, detention basins, lagoons or other facilities to control or treat such discharges.

91.4(2) Project steps. Projects must follow the step procedures defined by federal regulations and follow the state's approval process for planning and design in order to receive federal funds. Project steps are identified as follows:

a. Step 1 - Facility planning.

b. Step 2 - Preparation of plans and specifications.

c. Step 3 - Construction of facilities.

d. Step 4 - Combined grant for Step 2 and Step 3.

Only Step 3 and Step 4 projects are eligible for EPA grant award under the amended federal Water Pollution Control Act.

91.4(3) Project costs.

a. Eligible cost. All costs related to a project which are defined as eligible for federal grant funding by the federal Water Pollution Control Act.

b. Allowable cost. Those eligible costs which the state will endorse for federal grant funding as determined by the Priority System.

567—91.5(455B) State Project Priority List management.**91.5(1) Needs considered.**

a. Treatment needs. Any project with a demonstrated treatment deficiency in existing facilities is evaluated and assigned a priority rating and position based on the Priority System. This includes any project with a need to fulfill an enforceable requirement of the federal Water Pollution Control Act where capital improvements are anticipated to satisfy the need.

b. Unsewered communities. Communities with documented health hazard conditions or pollution problems identified by local or state health departments, department of natural resources or other responsible sources, and which have indicated an intent to proceed according to the planning procedures of federal regulations, are evaluated and assigned a priority rating and position based on the Priority System.

c. Existing projects. Subsequent steps or segments of project previously funded are considered in the development of the State Project Priority List. These projects will appear on the State Project Priority List according to the Priority System.

91.5(2) Priority assignments.

a. Point source rating criteria application. All projects are evaluated and placed on the State Project Priority List according to the point source rating criteria in 91.10(455B) of the Priority System. Unfunded projects will be reevaluated and subsequently placed on the priority list for two-year intervals starting with the FY 85 and FY 86 period.

b. Combined facility priority ratings. Where a city presently receives treatment of wastewater in a system other than its own, its needs will be considered for funding according to the priority rating of the treatment facility which provides its treatment. Where communities with existing separate treatment facilities propose joint facilities, the communities will be considered for funding at the combined priority rating of the communities involved. Where a planning area proposes multiple facilities in an approved facility plan, all facilities will have the same priority. This will maintain the intent of the criteria to address existing water quality impact and also allow the funding of cost-effective treatment alternatives.

c. Special considerations. Exemptions to the point source rating criteria may be considered by the state and funding variances granted for projects having unique or unusual circumstances but which do not logically fit into the criteria.

91.5(3) Point source rating criteria information.

a. Factors considered in the criteria. The formula used to rate projects is contained in 91.10(455B). In developing project rating criteria for the Priority System, the state considered the following factors:

- (1) The severity of the pollution problem.
- (2) The need for preservation of high quality waters.

(3) Specific categories of needs are not a part of the point source rating criteria; however, they are a factor in the Priority System to determine if a project can be placed on the State Project Priority List.

b. Factors not considered in the criteria. Factors specifically excluded from the point source rating criteria by EPA limitations and the state include the following:

- (1) Financial need or other economic factors.
- (2) Potential pollution.
- (3) A project area's development needs.

(4) The geographical region within the state, other than the basin in which a project has water quality impact.

(5) Future population growth.

91.5(4) State Project Priority List. The Priority System is used to derive a listing of projects in priority order which qualify for financial assistance, including both a Fundable and a Planning List.

a. Fundable List. Includes project steps scheduled for award of assistance from funds available for obligation during the fiscal year. The Fundable List is determined by the following factors:

(1) Project schedules. Schedules for project steps are based on their present status and anticipated progress. Readiness is not a factor in priority ranking; however, it may determine if a project can be placed on the Fundable List. Only projects considered capable of readiness within the fiscal year can be placed on the Fundable List. It is the applicant's responsibility to complete work necessary as a prerequisite to appearing on the State Project Priority List. Criteria for Fundable List consideration:

1. An applicant for grant funding must have a complete facility plan on file with the department by June 1, 1986, or thereafter in succeeding years by April 1 of the year prior to the fiscal year funding is requested. EXAMPLE: Facility plan must be submitted by June 1, 1986, in order for the project to be considered for the FY-87 Priority List. Facility plans must be submitted by April 1, 1987, to be considered for the FY-88 Priority List.

2. In addition, applicants applying for Step 3 grant funding must be projected to have final plans and specifications on file for departmental review by April 1 during the fiscal year of requested funding.

Projects included on the Fundable List which cannot attain readiness within the fiscal year may be removed and placed on the Planning List in accordance with 91.9(455B), State Project Priority List revisions.

(2) Project priorities. Projects with qualifying schedules will be considered in priority order for placement on the Fundable List. Subsequent segments of a project which has been awarded financial assistance for Category I and Category II needs will be placed on the Fundable List ahead of other new projects whose schedules also would allow funding during the fiscal year.

(3) Available funds. All procedures of the Priority System are subject to availability of funds. The Fundable List is based on funds anticipated for the current fiscal year, as well as any remaining previously allotted funds and, therefore, revisions may be necessary as federal appropriations are authorized.

(4) Grant award limitations. Grant funding for a project on the State Project Priority List will be restricted in accordance with the limitations identified in Section V, Grant Funding Policy.

b. Planning List. Includes projects or project segments not scheduled for grant award during the fiscal year. The Planning List is primarily an administrative tool used for management purposes. The Planning List indicates schedules for those projects which could anticipate funding from allotments authorized by the federal Water Pollution Control Act.

567—91.6(455B) Grant funding policy.

91.6(1) General funding policy. Each municipality with a qualifying need is assigned a priority and is funded as allowed by its relative priority and according to this rule.

Starting October 1, 1984, federal grants for new projects will be 55 percent. Some segmented and phased projects which were described in a facilities plan approved before October 1, 1984, and included a Phase or Segment which received a grant prior to October 1, 1984, may continue to receive 75 percent funding. In cases where a primary, secondary, or advanced waste treatment facility or its related interceptors or a project for infiltration/inflow correction has received a grant for erection, building, acquisition, alteration, remodeling, improvement, extension or correction before October 1, 1984, all segments and phases of such facility, interceptors and project for infiltration/inflow correction will be eligible for grants at 75 percent.

91.6(2) Eligibility of project categories. The state has authority to determine the priority for each category of need defined by the federal Water Pollution Control Act. These policies will be used to determine the circumstances under which each category will be endorsed by the state for federal grant funding. Projects will be placed on the State Project Priority List and, if necessary, removed from the State Project Priority List in accordance with these policies. Starting October 1, 1984, grants are to be made only on projects for secondary treatment or more stringent treatment, or any cost-effective alternatives such as new interceptors and appurtenances, and infiltration/inflow correction. Funding can be provided to other types of projects, such as related sewers, so long as no more than 20 percent of the state's allocation (percentage to be determined by the governor) is spent on those other types of projects. The technical review of projects prior to endorsement will determine the project categories and which portions will be grant funded. Inclusion or omission of a project category on the State Project Priority List will be adjusted as necessary.

a. Category I. This wastewater treatment category represents a basic water pollution control need for which federal grant assistance is intended. Category I needs are funded according to priority and eligibility limitations of EPA and 91.6(3), Additional considerations.

b. Category II. In cases where discharges must be treated to levels considered more stringent than secondary treatment in order to meet water quality standards, the additional facilities and their incremental costs will be fundable at the same priority as Category I needs. Treatment facilities will be endorsed for grant funding only when they can be expected to meet wasteload allocations determined by the department as necessary to meet water quality standards.

c. Category IIIA. In the evaluation of alternatives available to meet a Category I or Category II need, cost-effective proposals may include infiltration/inflow correction (Category IIIA). Category IIIA will be fundable at the same priority as the Category I or Category II need where it is cost-effectively justified as part of the overall project. Category IIIA work, without the documentation of planning undertaken to address a Category I or Category II need, will not be considered for federal funding under this program.

d. Category IIIB. Major sewer system rehabilitation (Category IIIB) work will not be considered for federal funding under this program.

e. Category IVA. Collector sewers will not be considered for federal funding even though they are eligible under federal law. An exception is Category IVA, construction for unsewered communities on the Fundable List which cannot qualify for grant funds or financing through other available programs in sufficient amounts to enable the community to meet their financial obligation for the project. In such cases, unsewered communities will be considered eligible for grant funding of treatment facilities, interceptor sewers and collection systems to the extent they are not funded by other grant and loan programs and as necessary to reduce the user charges to an acceptable level. Sewage collection systems for new communities, subdivisions and urban areas will not be funded under any circumstances since the sewer utility costs are considered a part of the development cost of new construction. Alternative technology collection sewers may qualify for funding under 91.7(2) "b," Small community alternative reserve.

f. Category IVB. Interceptors will be endorsed for federal funding at the same priority as a Category I or Category II need if they meet any of the following criteria:

(1) They terminate at the treatment plant. These will be funded from the treatment plant to the point where the design peak hourly flow is diminished to half of the design peak hourly flow of the interceptor at the plant.

(2) They are needed in lieu of grant eligible treatment works. This would allow funding of interceptors from existing treatment plants to another treatment site. This also would allow the funding of an interceptor from another jurisdiction if the interceptor is in lieu of a new treatment facility.

(3) Interceptors that connect to a new or existing interceptor which is in lieu of treatment will qualify for funding the same as if they terminated at a treatment facility.

(4) Relief sewers will not be endorsed for federal funding except as they qualify above.

g. *Category V.* Correction of combined sewer overflows will be funded only in cases where it is shown that all alternatives to protect the beneficial uses of the receiving stream have been explored and there is documentation (including cost-effective analysis) that correction of combined sewers is needed in lieu of, or to supplement a Category I or Category II need in order to protect the receiving stream.

91.6(3) Additional considerations. Certain project costs, although eligible under federal law, will not be endorsed by the state for grant funding.

a. *Storm sewer construction.* Except as they may qualify under 91.6(2)“f,” Category V, storm sewers will not be considered for federal grant assistance. However, where inflow correction is proposed as cost-effective construction in addressing a wastewater treatment need, a project’s facility planning also may propose construction of storm sewers to transport inflow. The state allows funding of inflow removal in a practical manner, but not to the extent of providing an entire storm drainage system. The cost-effective rerouting of storm water intakes or catch basins presently connected to a sanitary sewer will be considered an allowable cost as inflow correction (Category IIIA) where the inflow source is within a reasonable distance (one block) of an existing storm sewer, a proposed storm sewer or a natural drainage way. An average distance of 400 feet will be used for this determination. Replacement of the catch basin or intake itself is not an allowable cost.

b. *Land application systems.* The cost of land for storage basins needed prior to application of wastewater onto land is allowable. The cost of land for sludge storage basins is not allowable. The cost of land upon which wastewater or sludge is applied for final disposal is not allowable.

Costs for pumping and pipeline systems used to convey wastewater from storage basins to the site where it will be distributed or applied are allowable. Grant funding for equipment used to apply or distribute wastewater on the application site will be determined according to ownership of the property. If the grantee will own the application site, equipment costs will be allowable. If the land remains under private ownership, application equipment costs are not allowable. If the grantee will not own the application site, funding for the pipeline from storage basins will be limited to that portion up to the most convenient and least costly location on the private property. All sludge handling equipment is considered an allowable cost.

c. *Pretreatment program development.* Designated projects are required by federal regulations to develop pretreatment programs for the control of certain wastes from contributing industries.

Pretreatment program development costs will be allowed by the state if a municipality is required to develop such a program by federal regulation and has a grant for other needs. Existing grants may be amended to include the cost of proposed pretreatment program development.

d. *Project component eligibility.* The state will evaluate all projects for minor component and equipment eligibility according to precedent, federal guidelines and federal regulations. Limitations are placed upon such items as landscaping, certain appurtenant and accessory equipment, vehicles, tools and supplies that are included in costs or contracts for which grant assistance is requested. Items determined excessive or unnecessary to the basic function of the facility are considered unallowable.

e. *Claims.* Claims, disputes and other matters in question arising out of, or relating to the contract documents or the breach thereof, may result in increased project costs. Legitimate conditions, changes and modifications may be grant reimbursable according to principles of cost eligibility and allowability as established in the Priority System and federal regulations. Costs associated with delay of settlement of these issues and penalties or punitive costs are unallowable.

91.6(4) Grant limitations.

a. *Construction period.* Grants will not normally be made to projects where the contract calls for a construction period longer than 24 months. Projects which anticipate longer construction periods should segment construction into parts that can be completed in a two-year period.

b. *Step 4 grant limit.* The state will certify a Step 4 grant only when the grant amount is \$3 million or less (exclusive of Innovative or Alternative Reserve funds) and the grant application submits a Step 4 application.

c. *Replacement funding for I/A projects.* The state will not endorse 100 percent funding for the modification or replacement of failing innovative or alternative systems.

d. *Segmented projects.* Grant assistance may be awarded for construction of a sewerage works segment, when that segment in and of itself does not provide for achievement of applicable effluent discharge limits, if all of the following conditions are met:

(1) The segment is to be a component of an operable sewerage works which will achieve effluent discharge limits.

(2) The treatment works (Category I or Category II) have been funded or the treatment works appear on the State Project Priority List for funding during the current or next fiscal year.

(3) Planning for the entire project is complete and design has progressed sufficiently to ensure that the segment can be properly sized and constructed.

(4) A commitment for completion of the entire project is submitted and is reflected in a special condition in the grant agreement. The commitment may not be contingent upon receiving grant assistance for remaining segments.

(5) A schedule has been approved by the director that identifies segments, the order of construction and completion dates.

(6) The total project cost exceeds \$5 million.

e. *Step 1 and Step 2 funding.* Step 1 and Step 2 grants cannot be offered. Projects will be scheduled only for Step 3 or Step 4 funding. Proceeding with Step 1 and Step 2 work is the responsibility of the municipality. The state will provide information regarding a project's funding status so that projects can be ready at the appropriate time. An allowance will be provided in a Step 3 grant for Step 1 and Step 2 costs not previously funded. Advances providing an allowance for Step 1 and Step 2 costs may be made at the state's discretion using funds reserved for this purpose. Existing Step 1 and Step 2 grants may be increased as appropriate from funds available in the Reserve for Grant Increases.

f. *Consistency with water quality management plans.* Projects must be consistent with the Des Moines Metropolitan Areawide Waste Treatment Management Plan or the Iowa Water Quality Management Plans to be considered for inclusion on the State Project Priority List.

g. *Maximum federal grant amount.* The maximum federal grant amount an applicant, or a combination of applicants who received a priority rating pursuant to 91.5(2) "b," Combined facility priority ratings, may receive is 60 percent of each year's total state allotment. This amount may be received over the two-year period that a particular year's allotment is available. However, this provision shall not prevent any grantee from receiving allowable grant increases from funds set aside pursuant to 91.7(2) "a," Innovative and alternative reserve, and 91.7(3) "a," Reserve for grant increases.

567—91.7(455B) Reserve fund administration.

91.7(1) Availability. Reserve funds shall be provided as required and allowed by the federal Water Pollution Control Act and federal regulations. The amount of each reserve is specified on the State Project Priority List. The designated reserves on the Fundable List include any remaining reserve funds from prior years if those funds are still available. Mandated reserve funds are subject to reallocation if not obligated during allotment period. Discretionary reserve funds may be returned to the general fund if not obligated.

91.7(2) Mandated reserves. These reserves are required to be set aside by the federal Water Pollution Control Act which specifies the percentage of the state's allotment to be designated for each reserve. These reserves are included on the Fundable List.

a. *Innovative and alternative reserve.* The federal Water Pollution Control Act requires that not less than 4 percent nor more than 7½ percent of the state's annual allotment be set aside to increase the federal share of grant awards for projects which utilize innovative or alternative concepts. The state designates 7½ percent of its annual allotment for this reserve. Of this amount, not less than 2¼ percent of the state's annual allotment must be used for projects utilizing innovative processes. These funds will be used to increase the basic grant amount by as much as 20 percent to a maximum limit of 85

percent. Innovative and alternative reserve projects receiving 55 percent grant will get a 20 percent increase and those projects which after October 1, 1984, continue to get 75 percent will get a grant increase of 10 percent to 85 percent grant funding. The state will obligate these funds first to projects funded with the small community alternative reserve, then to any projects on the fundable list on a first-come basis until this reserve is depleted or remaining funds are reallocated.

b. Small community alternative reserve. As a designated rural state, Iowa must set aside 4 percent of its annual allotment to be used for grants to small communities to construct alternatives to conventional systems. A small community is defined by the state as any municipality with a population of 3,500 or less. The state will obligate these funds to projects on the Fundable List on a first-come basis until this reserve is depleted or remaining funds are reallocated. Should projects on the Fundable List not fully utilize this reserve, projects on the Planning List may be considered for Small Community Alternative Projects. If Innovative and Alternative Reserve funds are available, the federal grant share for the alternative portion may be increased up to 75 percent.

c. Water quality management reserve. The state must set aside the minimum reserve required by the federal Water Pollution Control Act for water quality planning, which is an amount not to exceed 1 percent of the state's annual allotment, but not less than \$100,000.

d. Advances of allowance reserve. The state must reserve a portion of its annual allotment, not to exceed 10 percent, for advances to small communities for planning and design costs or both. The amount of the reserve is to be determined by assessing the needs of qualifying projects on the Fundable List and those projects on the Planning List which might reasonably expect to receive Step 3 grant funding during the next two years.

91.7(3) Discretionary reserves. These reserves are allowed by the federal Water Pollution Control Act; however, they are not required unless designated by the state.

a. Reserve for grant increases. A reserve is designated to provide for increases to existing grants. This reserve is available to projects which have received grant offers and require additional funding for project cost increases approved by the state. It is also used to provide full funding for projects initially requiring grants greater than estimated on the Fundable List. The amount of this reserve will be determined by the state each fiscal year. If not needed in the fiscal year, these funds may be made available to other projects according to 91.9(455B), State Project Priority List revisions.

b. Reserve for state management assistance. The state will set aside 4 percent of each authorized annual allotment for state management assistance to cover reasonable costs of administering program activities delegated to the state by EPA.

c. Unsewered community reserve. This reserve will serve as a quota to ensure that 5 percent of the state's annual allotment is available for obligation to unsewered cities where health hazard conditions exist. Documentation of a health hazard by a local or state health department will be required.

Qualifying unsewered communities will be placed on the Fundable List for Step 4 grant funding according to their priority as determined by the point source rating criteria in 91.10(455B). If there should be insufficient applicants to meet this quota during the allotment period, remaining funds will be returned to the general fund for obligation to other projects.

567—91.8(455B) Project administration.

91.8(1) Certification of priority for grant funding. Projects on the Fundable List will be certified in the order they attain readiness.

The state must certify that a project is technically and administratively complete for the grant being requested, that it appears on the Fundable List and that the state has available allotments to provide the grant.

A community is responsible for complying with the technical procedures for facility planning and preparation of plans and specifications, including state approval of those documents. These are considered prerequisites to receive Step 3 or Step 4 grant funding.

91.8(2) *Grant decreases.* Grant decreases occur when final documented allowable costs are less than those upon which the grant was originally based or when bids received are less than the previously estimated construction costs. Grants are reduced as necessary for decreases in allowable costs.

91.8(3) *Grant increases.* Grant increases may be requested because of cost overruns occurring after receipt of bids, construction change orders or extension of the scope of work in a step. Grant amendments involving increases in funds must be allowable and certified by the state the same as an original grant.

Step 3 grant increase requests received no later than 12 months after the construction contract completion date and accompanied by written detailed justification for the increase will be reviewed by the following guidelines:

a. Grant increases will normally be allowed for:

(1) Changes necessary to comply with revisions in standards or criteria that have been enacted by a regulatory agency.

(2) Changes or additions which the department and grantee agreed upon in writing prior to issuance of the construction permit in recognition that the need for the item in question can best be determined after the facility is in operation.

b. Grant increases will normally not be allowed for:

(1) Changes necessary due to a failure of any process or equipment to meet a specified performance standard.

(2) Changes necessary due to quality or quantity interferences resulting from industrial wastes.

(3) Changes involving the repair or replacement of structures or equipment initially funded by the grant that become worn out during the construction period due to normal wear, neglect, overload, corrosion or similar causes.

(4) Changes necessary to replace originally approved concepts that have been installed or for which the grantee has received grant payment.

(5) Changes necessary to correct design errors involving capacities, volumes, lack of flexibility, process failures or failure to meet equipment standards.

c. After the initial grant offer to a project, grant increases will be considered at the following times:

(1) Following the bidding of each construction contract in the project. The grant will be adjusted, based on all actual contract bids, estimated administrative costs, service contracts, allowable contingencies, and estimated costs of any other contracts not yet bid.

(2) Upon completion and final grant payment for the construction of a project.

(3) Upon the significant increase in the approved scope of a project.

Grant increases will be provided to projects at the above times based on the chronological order of one of the above events, an amended application and the availability of grant increase funds.

91.8(4) *Project scope changes.* Proposed changes in the scope of a project must be approved by the state in order to be included in a project's allowable cost. Scope changes which do not require a grant increase will be reviewed using the same criteria as above.

91.8(5) *Innovative and alternative project management.*

a. Innovative and alternative grants. The state will certify funding of innovative and alternative technology to the extent they qualify by federal regulations if Innovative and Alternative Reserve funds are available. A specific process may be considered innovative and qualified for a grant increase from the Innovative and Alternative Reserve only for the first three projects using that specific process.

b. Special priority consideration for small community alternative projects. When projects on the Fundable List do not utilize all of the Small Community Alternative Reserves, additional projects may be placed on the Fundable List. Qualifying projects on the Planning List will be considered in priority order for placement on the Fundable List. If additional projects are necessary to utilize the reserve during the fiscal year, projects will be considered in priority order in quarterly updates of the Fundable List. These projects will qualify by having submitted complete facility plans 30 days prior to the quar-

terly update. In order to be considered for this priority adjustment, 50 percent or more of the project's allowable costs must be for alternative technology.

91.8(6) *Grant close-out.*

a. A final inspection of a project by the department will verify completion of construction for grant payment and close-out. The final inspection will normally be conducted within 6 months of the construction contract completion date and within 12 months for projects where delays in construction completion have occurred.

b. A final project cost cutoff date of not more than 18 months following the contract completion date will be established by the department at the time of final inspection. Costs incurred after the cutoff date will not be allowable for grant participation.

c. A grantee may request and receive a final grant payment anytime after the final inspection but not more than 12 months after the cutoff date. Twelve months after the cutoff date any open grant will be closed and a final grant payment will be processed limiting allowable project costs to those documented in the last grant payment request on file with the department.

91.8(7) *Step 4 project requirement.* If a grantee has not advertised for bids within nine months of the Step 4 grant date by when plans and specifications must be submitted, the department will recommend to EPA that the grant be terminated or annulled. The department will allow a three-month extension for good cause before referring to EPA.

567—91.9(455B) State Project Priority List revisions.

91.9(1) *Project bypass procedures.* Since the Fundable List is based on the predicted readiness of projects, it is possible that projects included on the Fundable List may not actually achieve readiness within the funding period. Projects which cannot attain readiness within the fiscal year may be removed and placed on the Planning List. A project which is not certified for grant award prior to September 1 will be removed from the Fundable List if it can be replaced with a project that can be certified. Step 4 projects which are certifiable may replace a project on the Fundable List after September 1, if their facility plan was submitted by June 1, 1986, and thereafter in succeeding years by April 1, and Step 3 projects which are certifiable may replace a project on the Fundable List after September 1, if their plans and specifications were submitted by June 1, 1986, and thereafter in succeeding years by April 1.

Beginning September 1, projects will be considered for placement on the Fundable List as they are ready to be certified. Should more than one project qualify on the same day, the projects will be considered for placement on the Fundable List in priority order. Any project so removed may be placed on a future Fundable List in accordance with the Priority System in effect at that time.

91.9(2) *Project removal.* The state will remove a project from the Fundable List if:

- a. The project or project segment is fully funded.
- b. The project is no longer entitled to funding according to the Priority System.
- c. The project is unnecessary to meet an enforceable requirement of the federal Water Pollution Control Act and EPA requests the removal, or it is otherwise determined ineligible.
- d. The state determines that federal allotments are inadequate to fund the project.
- e. The project cannot attain readiness.

91.9(3) *Additional funds.* Additional funds may become available during the fiscal year. They may be used for the following purposes:

- a. Extend the Fundable List by adding Planning List projects in priority order which the state determines can be ready for funding within the fiscal year.
- b. Increase grant reserve funds.

91.9(4) *Decreased allotments.* The Fundable List is initially based upon an anticipated federal allotment to the state. The Fundable List will be revised using the same considerations as were used in its original determination if that amount changes.

91.9(5) Quarterly update. The State Project Priority List will be reviewed quarterly to update schedules and project cost estimates.

91.9(6) Notification of revisions. The state will notify, in writing, all communities which are removed from or placed on an approved Fundable List by revisions.

91.9(7) Segmented projects. Any project added to the Fundable List under rule 91.9(455B) must be fully fundable with currently available grant allotments, or be fully funded with grant allotments projected from the next fiscal year, or have remaining segments fully funded from other sources.

567—91.10(455B) Point source rating criteria. This point source rating criteria considers the municipal discharger and the receiving stream in formulation of priorities as necessary for distribution of financial assistance available through EPA or state programs.

The criteria provides a mathematical formula for weighing the various parameters involved and determines a numerical rating. The two basic factors in the priority rating formula used to develop Municipal Discharger Priority Ratings are: (1) the Stream Segment Priority Criteria, and (2) the Municipal Discharger Priority Criteria. Specific components of these factors and their combination to form the Municipal Discharger Priority Ratings are set forth below.

91.10(1) Stream Segment Priority Criteria. Each major river basin is divided into various stream segments which consist of surface waters that have a common hydrologic characteristic. The stream segments are classified, in accordance with EPA guidelines, as effluent limited (EL) or water quality limited (WQ).

Effluent limited (EL) segments are those segments where the water quality meets and will continue to meet the water quality standards, or where the water quality standards will be met after application of secondary treatment or best practicable treatment technology (BPT) to all point source discharges to the segment.

Water quality limited (WQ) segments are those segments where water quality standards are not being met and would not be met after application of secondary treatment of BPT to all point discharges to the segment.

Secondary treatment is defined in 567—Chapter 62. If water quality standards require imposing limits on parameters in a discharge more stringent than or in addition to those identified in 567—62.3(455B), the segment is considered to be water quality limited.

The formula for calculating total points for a segment is as follows:

a. Total Stream Segment Points =

$$(0.5 + A + Bcw + Bww + Blr + C + HQ + HQR) \times SQ$$

Where: A = 2.0 if the segment is designated Class A water and 0 otherwise.

Bcw = 2.0 if it is Class B cold water and 0 otherwise.

Bww = 1.0 if it is a significant resource warm water and 0 otherwise.

Blr = 0.5 if it is a limited resource water and 0 otherwise.

C = 1.0 if it contains any designated Class C waters and 0 otherwise.

HQ = 1.0 if it is a high quality water and 0 otherwise.

HQR = 0.5 if it is a high quality resource and 0 otherwise.

SQ = 2.0 if the segment is water quality limited with treatment more stringent than standard secondary required.

SQ = 1.0 if the segment is effluent limited with secondary treatment required.

b. Application. The stream segment priority for each discharger is based upon the stream segment(s) impacted by the discharge. The stream segment priority for a discharger impacting a water quality limited segment will be determined according to all applicable use designation factors for the water quality limited segment(s), whether or not the discharge is directly into the water quality limited segment and if the discharge effluent limits are more stringent than secondary treatment.

91.10(2) Municipal Discharger Priority Criteria. This criteria ranks a discharger with respect to its present contributing wasteload and the degree of stream overloading it causes.

The formula used to rank dischargers is as follows:

a. Municipal Discharger Priority Points = (A1) (B1) + (A2) (B2).

Where: A1 and A2 = Degree of stream overloading.

A1 = CBOD5 Overloading Factor =

$$\frac{\text{Present lbs. CBOD5 discharged}}{\text{Allowable lbs. CBOD5}}$$

“Present lbs. CBOD5 discharged” is the average lbs/day of CBOD5 which is currently being discharged. If BOD values are reported as BOD5, they shall be converted to CBOD5 values by multiplying by 25/30.

“Allowable lbs. CBOD5” equals the average lbs/day of CBOD5 allowed to be discharged calculated by wasteload allocations using the current water quality standards.

A2 = Ammonia-N Overloading Factor =

$$\frac{\text{Present lbs. NH}_3\text{-N discharged}}{\text{Allowable lbs. NH}_3\text{-N}}$$

“Present lbs. NH₃-N discharged” is the average lbs/day of NH₃-N which is currently being discharged. If ammonia data is not available for an existing facility, then the value shall be obtained by the following formula:

Present lbs. NH₃-N discharged =
 15 mg/l NH₃-N x average daily flow in MGD x 8.34

“Allowable lbs. NH₃-N” equals the average lbs/day of NH₃-N allowed to be discharged as calculated by wasteload allocations using the current water quality standards.

B1 and B2 = Present lbs/day of CBOD5 (B1) and NH₃-N (B2) being discharged. This element considers the actual wasteload which the stream receives. Lbs/day values will be obtained from two full calendar years of operational data preceding the year of being scored (i.e., FY92 scoring year will be based on 1989 and 1990 data).

Value of B1	Average lbs/day of CBOD5 Discharged
0	1.5 or less
1	1.5 - 3
3	3 - 5
5	5 - 10
7	10 - 20
9	20 - 50
12	50 - 100
14	100 - 250
16	250 - 750
18	750 - 1500
21	1500 - 2500
25	2500 or more

Value of B2	Average lbs/day of NH ₃ -N Discharged
0	.75 or less
1	.75 - 1.5
3	1.5 - 2.5
5	2.5 - 5
7	5 - 10

9	10 - 25
12	25 - 50
14	50 - 125
16	125 - 375
18	375 - 750
21	750 - 1250
23	1250 - 2500
25	2500 or more

b. Municipal Discharger Priority Points for municipalities which have multiple discharge points or discharge into more than one receiving stream will be scored as follows:

(1) For multiple discharges from a municipality into a single stream segment, Municipal Discharger Priority Points from all outfalls will be added together to obtain a single Municipal Discharger Priority Point score which is then multiplied by the stream segment subtotal score.

(2) For multiple discharges from a municipality entering different stream segments, the Municipal Discharger Priority Points multiplied by the corresponding stream segment points for each outfall will be treated as a separate total score which will be added to the total scores of all other outfalls to comprise the final score of the municipality.

c. Municipal Discharger Priority Points for municipalities that do not have sanitary sewer systems will be calculated on the basis of the following assumptions:

(1) Privately owned septic tanks provide the same degree of treatment (35 percent BOD reduction) as primary treatment.

(2) Septic tank absorption fields have a discharge to surface waters equal to 25 percent of the computed organic load from the septic tank.

Computation:

The existing stream loading is computed using the following formulas:

lbs. of CBOD5 = existing population x 0.13 lbs. CBOD5 per capita x 0.65 x 0.25

lbs. of NH3-N = existing population x 0.05 lbs. NH3-N per capita x 0.65 x 0.25

91.10(3) *Municipal Discharger Priority rating.* The total points for each municipal discharger are obtained by multiplying the “Total Stream Segment Points” times “Municipal Discharger Priority Points.”

Total points are determined for each municipal discharger and the priorities of dischargers are then ranked in decreasing order of points.

These rules are intended to implement Iowa Code sections 455B.105 and 455B.241 to 455B.246.

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